

16 AUG 1960

Johnson / P.D.C.

MEMORANDUM FOR : Chairman, President's Board of Consultants
on Foreign Intelligence Activities

SUBJECT : Estimated Foreign Intelligence Costs for
Fiscal Year 1959

1. Attached is the report on estimated foreign intelligence costs
for Fiscal Year 1959.

2. The scope of the cost estimates contained in the report covers
those United States foreign intelligence activities that are subject to
the coordinating authority of the Director of Central Intelligence and to
the guidance of the United States Intelligence Board.

3. This report is to serve a purely statistical purpose inasmuch
as costs can only be distributed into some of the functional categories
by resorting to individual judgments which are subject to varying
degrees of interpretation.

4. The cost estimates have been developed on the basis of actual
obligations incurred during the fiscal year ending 30 June 1958 and
derived from two basic types of cost data:

Direct Obligations: Those obligations actually incurred
by an intelligence command, bureau or element thereof, or any
comparable intelligence organization which actually performs the
intelligence activity involved and can identify the related obligations.
In essence, such obligations are those under the direct control of an
intelligence organization or an intelligence element of a larger organi-
zation.

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Indirect Obligations: Those obligations which appear in non-intelligence commands, bureaus, services, or other comparable organizations as a part of their own budget operations, but can be identified as being in support of an intelligence activity, e.g., research and Development projects performed for foreign intelligence purposes.

5. The methods used by the departments and agencies in computing and reporting the cost estimates have varied; for example:

Navy and Air Force have included all their identifiable production and dissemination costs under the single heading of Naval and Air Intelligence respectively.

The functions of the Office of Special Operations, Office of the Secretary of Defense are not properly chargeable to either the collection or production of intelligence since their responsibilities are limited to the general area of policy formulation. For this reason, the costs of the Office of Special Operations are included in the report under the heading, "Auxiliary Activities". Similarly, a portion of the costs of the Joint Chiefs of Staff (JCS) and the Central Intelligence Agency are included under this heading.

In accordance with the terms of reference (USIB-2-53, 1/1) certain latitudes were allowed in the presentation of data. This permitted a reporting department or agency to either include the support costs under Collection and Technical Processing and Production and Dissemination activities, or to show these support costs as separate items under a third grouping--Auxiliary Activities. At the time the cost data for the three military services and NSA were synthesized for final submission, it became apparent that the optional presentation of data within these category groupings resulted in a non-uniform presentation. In order to preclude distortions and imbalances in statistical presentation, the data listed under the grouping Auxiliary Activities for the three military services were appropriately integrated into the activities under Collection and Technical Processing, and Production and Dissemination.

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The auxiliary items of Administration, Training, Communications, Security, Research, etc., are not segregated because costs of these items cannot be meaningfully related to State's "foreign intelligence" operation. That is, no meaningful proration of "training costs," for example, can be determined as specifically applicable to "foreign intelligence" as separate and apart from other or regular Foreign Service operations. Further, overseas costs for such items as translation, printing and reproduction, etc., in addition to being meaningless when related to "intelligence," could be developed only on an arbitrary and inaccurate basis.

6. The detailed figures which were developed and submitted by the participating departments and agencies were reviewed, summarized and incorporated in the attached report by the Cost Estimates Committee of the USIB. Members of the Committee are available to answer questions relative to the estimates submitted by their respective departments and agencies.

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7. Arrangements for meetings, if desired, may be made through Edward R. Saunders, Chairman of the Cost Estimates Committee.

SIGNED

ALLEN W. DULLES
Director

Attachment - copy #41 & #42 of report TS 74/992

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(Mr. Saunders)

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Remarks:

At its 2 August meeting USIB approved the Cost Estimates Committee report and the letter transmitting it to Mr. Stans and General Hull.

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